

Exhibit 57 to Plaintiff's
Memorandum of Points and Authorities
in Support of Its Motion for Temporary
Restraining Order and Preliminary Injunction
(PX00162)

From: John P Mackey
Sent: 09/15/2006
To: Glenda Chamberlain (CE CEN)
Cc:
Bcc:
Subject: Board Report

1 Attachment

September 13, 2006

Board Report - John Mackey

Q3-2006 Results and Update

Q3 was yet another strong quarter for the company, as we produced [REDACTED] growth on [REDACTED] growth even after backing out a [REDACTED] to Hurricane Katrina. In fact, with the exception of [REDACTED] and [REDACTED], both of which were impacted [REDACTED] we showed [REDACTED] every major area of our [REDACTED]. Our [REDACTED] was an incredible [REDACTED] and our [REDACTED] ahead of the First Call consensus.

Sadly, our results went unappreciated by Wall Street. Analysts were disappointed with our [REDACTED] growth, which marked the end of a [REDACTED] and there was a lot of confusion surrounding our outlook for 2007. Needless to say, I am more convinced now than ever in our plan to provide [REDACTED] on historical results and metrics in the future.

We used the [REDACTED] following the earnings release as an opportunity to buy back \$100 million of stock at an average price of \$49.85. I'm pleased to report that our stock has since rebounded to the high \$50s, and we still have about \$300 million of cash and investments in the bank!

We announced several major new initiatives this past quarter. Looking beyond the numbers:

We stopped selling live lobsters because we were not sufficiently satisfied that the process of selling live lobsters was in line with our commitment to humane treatment and quality of life for animals. There were a lot of jokes made in the media and elsewhere about it, but we received an overall very positive response from our customers that we believe will result in much higher sales over the long term and more than make up for the small amount of sales we lost.

We hired our first animal compassion field buyer to work exclusively on developing sources of animal products that meet our new strict animal compassionate standards.

We know that we can and should do more to support local farmers, so we have set up an annual budget of \$10 million to promote local agriculture (especially animal agriculture) through long-term loans at low interest rates. We also plan to experiment with having many of our stand-alone stores in the U.S., U.K. and Canada host local farmers markets.

Over the past 12 months we have opened 14 new stores. So far this fiscal year, we have opened 11 new stores including the Redmond, WA and Los Altos, CA stores here in the fourth quarter. Two additional stores are scheduled to open on September 20th, bringing our total for the fiscal year to 13 and weighted average square footage growth to about 14%.

This past quarter, we announced eight new store leases and a 35K expansion of our highly successful Pearl store in Boulder, CO totaling 472K square feet. The stores range in size from 46K to 65K square feet, with an average size of 55K square feet and are as follows: Denver, CO (59K s/f); Dublin, CA (55K s/f); Los Angeles, CA (48K s/f); Oxnard, CA (55K s/f); Schaumburg, IL (65K s/f); Florida (50K s/f); Connecticut (46K s/f); and a relocation in New Jersey (60K s/f).

Jim and his team have now signed [REDACTED] in each of the last 12 quarters, giving us [REDACTED] and [REDACTED] under development at the time of our Q3 release and representing [REDACTED] of our existing square footage.

Competition

Competition is definitely having some impact on Whole Foods at this time and is one of the main reasons we've seen our [REDACTED] over the last [REDACTED]. No one competitor is hurting us that much but the combination of more intense competition everywhere is definitely having some impact on us. We will need to continually innovate and improve at a faster rate if we want to stay ahead of our competition going forward.

Wild Oats

OATS reported their Q2 results shortly after we reported our Q3 results. Gross Margins remain significantly higher than the previous year (as are their prices) and as a result they eked out a small net profit (\$4.8 million pre-tax). Their comps were a very weak 1.4% as our competitive openings continue to hurt them. Ron Burkle now owns over 15% of the company as I write this. I continue to believe that OATS may be bought out by him—especially if the stock was to trade down significantly. We have signed a [REDACTED] Boulder store which will severely cripple the new store they have in development there once our expansion is complete. Competitive openings [REDACTED] are scheduled to happen over the next 12 months.

Trader Joe's

Trader Joe's continues to rapidly expand, but our new large store format has created a large comparative gap with them. TJ's is now a "fill-in" store for Whole Foods, but lacks a wide enough product selection to be considered to be a complete alternative to our stores. However, TJ's continues to take some market share away from us as has been made very clear in New York City near our Union Square store. I expect them to continue to aggressively expand throughout the United States and [REDACTED] will have to compete head to head with them.

[REDACTED]
[REDACTED] continues to broaden their organic offerings and has become more competitive with us. Their new experimental new [REDACTED] was obviously aimed directly at both Whole Foods and [REDACTED] and has [REDACTED]. We agreed upon the following competitive strategy at our June WFLN meeting.

Accelerate our move to more and more private label. Industrialized Organic is becoming simply a commodity sold strictly on price. Our private label goals should be to be price competitive on all 365 and 365 Organic items and all other private label items should be unique and special items. Trader Joe's is 80% private label. There is no reason in the world why we [REDACTED]. Let's move forward to achieve this. Determine which national brands we must continue to sell due to very strong customer demand [REDACTED] and [REDACTED] on these products in market areas where we are competing directly with [REDACTED]—currently primarily Columbus, Louisville, North Carolina, Atlanta, Florida, and parts of the Midwest and Texas.

All other national brands which are not essential for us to carry and are now being sold by [REDACTED] should be dropped ASAP from our stores. These brands have decided to cast their future with [REDACTED]. So be it. Let them, but the cost to them will be shelf space at Whole Foods and the authenticity and brand approval that selling at Whole Foods creates..

We must get [REDACTED] of prepared foods, bakery, meat and seafood. Grocery, Whole Body, and produce [REDACTED] for many years now. It is clear to me that this will [REDACTED] going forward. T.J.'s, [REDACTED] aren't going to permit this any longer.

We must rethink [REDACTED]. It will be necessary to [REDACTED] where we

can [REDACTED] because our [REDACTED]
At the end of the day it is more important to protect our market share than it is to [REDACTED] We
must recognize [REDACTED]

Safeway

Safeway has remodeled hundreds of their stores into "lifestyle stores". This strategy is really about trying to look and be more like Whole Foods Market to better compete with us and to avoid competing head on with [REDACTED]. They are planning on spending an additional \$1.6 billion each year for the next 5 years (plus the \$1.6 billion they've already spent) on this strategy. So far their strategy appears to be working as they've seen some good comp sales increases. Although they have not badly hurt Whole Foods with this strategy they have taken some business from us, most noticeably in Boulder where their upgraded "lifestyle" store has taken an estimated [REDACTED] of Pearl's business.

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